DOCUMENT RESUME

ED 045 810 VT 011 888

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TITLE The Problem of the Blue-Collar Worker.
INSTITUTION Department of Labor, Washington, D.C.
PUB DATE 70
NOTE 16p.

EDRS PRICE EDRS Price MF-$0.25 HC-$0.90
DESCRIPTORS *Blue Collar Occupations, Economic Disadvantagement, Family Income, *Lower Middle Class, Low Income, Minority Groups, Promotion (Occupational), *Social Problems, *Socioeconomic Status

ABSTRACT

This memorandum to the Secretary of Labor from the Assistant Secretary for Policy, Evaluation, and Research describes the effects of our changing society upon the sociceconomic status of blue-collar workers. Economic problems face both black and white workers when their earnings peak while expenses continue to rise, both from inflation and from increasing family responsibilities. These economic problems are compounded by lack of status and a feeling of being forgotten among many of the lower middle class. Government action is recommended in the areas of skill upgrading, income, living expenses, and social issues such as low status. (BH)

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ASSISTANT SECRETARY OF LABOR
WASHINGTON

APR 16 1970

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MEMORANDUM FOR THE SECRETARY

Subject: The Problem of the Blue-Collar Worker

The social and economic status of blue-collar workers has become a subject of increasing concern in the last few years. Recent reports have identified the economic insecurity and alienation which whites in this group have felt. What such reports have failed to note is that there are some two million minority-group males who are skilled or semi-skilled blue-collar workers who are full-time members of the work force and who share many of the same problems as whites in their income class. This non-white group also shares the same concern as white workers for law and order and other middle-class values. Many have moved from subemployment to low-income entry-level jobs, but they now feel blocked from further opportunity.

In 1968, 34 percent of all minority-group families were in the $5,000 to $10,000 income category. Of course, on the average, most black families are still not anywhere as well off as white families: The median income of all Negro families was $5,590, that of all white families $8,937. But the point is that both these groups have essentially "working-class" economic and social problems related to wage, tax and government benefit structure for the nonpoor--a fact not given adequate recognition by the media, which, to the extent it emphasizes only the black ghetto, perpetuates a stereotype.

We should recognize:

(1) the common <u>economic</u> problem which many blue-collar workers have, of both races (mostly white, of course, in numbers); and

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(2) the common social problems concerned with housing, education, jobs and personal safety which are related to income class but also are a function of the close proximity of the blue-collar workers to disadvantaged people.

These two points are worth further consideration.

1. The Economic Squeeze

Forty percent of American families--including 70 million family members--have incomes between $5,000 and $10,000 a year and might be termed "lower-middle-income." The head of the household is usually a vigorous, fully employed blue-collar worker with heavy family responsibilities although many of this group are also in white-collar or service jobs. It is precisely when his children reach their teens and family budget costs are at their peak that two things happen to the bulk of such male bread-winners:

* They reach a plateau in their capacity to earn by promotion or advancement;

* their expenses continue to rise, as the last family members are born, as they become homeowners, as car and home equipment pressures mount, as the children may become ready for college, or support is needed for aging parents.

The American wage and salary structure does not respond directly to this situation, since it is based on the ethic of "equal pay for equal work." It does not provide additions for either growing family size or age (except as it may reflect job seniority); payment is exclusively for work done--the same pay is given to everyone in the same job; and, unlike the situation in many other countries, the wage structure is not supplemented by public payments based on family size, although income tax exemptions give some recognition:

* Income needs for a growing family rise faster than are normally provided by advancement. Family budget costs for a two-child family are three times the needs of a single individual, according to BLS, while a typical semi-skilled steelworker's increase in job level results only in a wage rise of somewhat less than one and a half times.

The result is illustrated by the accompanying table, which portrays the case of a typical steelworker. The worker has some margin beyond his budget needs when he is young, but only if he saves and does not acquire a living standard commensurate with his pay. If he does not anticipate later family needs by adequate early savings--and usually he does not--he begins to be squeezed in his later thirties, and finds himself in deeper straits as his children reach their teens.

Many other industries have even fewer promotion opportunities than steel. A study of 11 major industries estimated that one-third of all non-supervisory jobs were "dead-end." The lack of an adequate adult education system geared to workers hinders movement out of these jobs. Relatively few firms have work-site education and few community colleges direct courses for upgrading purposes to blue-collar workers.

Upward job mobility is also hindered by age discrimination against older workers; by lack of detailed, free information about other jobs; and by the high costs of private employment agencies (which often have job openings which the Employment Service does not have).

The result for semi-skilled blue-collar workers as a whole is that, when general wage rate increases are added to increased individual earnings due to promotion, real income has somewhat less than doubled in the past two decades, which is still not enough to meet the cost of the same standard of living throughout the period. Males aged 45 to 54 years in 1968 who had one to three years of high school--the educational level typical of blue-collar workers in that age group--had increased their incomes by only 84 percent between 1949 and 1968.

Comparison of Family Budget Costs and Steelworkers' Earnings

(1967 Budget Costs and Wage Rates)

Age	Family Status	Family Budget Costs		Pay Grade	Estimated Annual Earnings	
		Dollars	Index		Dollars	Index
22	Single	$3,358	100	2	$5,747	100
23	Married, no children	4,538	135	2	5,747	100
28	One child, under 6	5,627	168	7	6,629	115
38	2 children, older 6-15	9,076	270	12	7,510	131
41	2 children, older 9-18	10,347	308	15	8,039	140

Notes

-- Budget costs and wage rates as of 1967
-- Annual earnings are based on hourly rates, with no further adjustments for effect of seniority on immunity from layoffs and opportunities for more overtime and no allowance for the value of fringes.
-- Grade 15 in the chart is approximately the midpoint of the U.S. steel job evaluation wage structure and is at beginning point of skilled craftsman wage scales.
-- Family budget costs are based on BLS Moderate Living Standard for a 4-person family, spring 1967, and include occupational expenses, gifts and contributions, life insurance, social security payments, and Federal, State and local income taxes, in addition to the goods and services for family consumption. For equivalence scale appropriate for total budget--see Table A-1, p. 14, BLS Bulletin 1570-2.

The worker who established his standard of living when he was single or first married thus finds that he can maintain it only by:

1. Having saved when he was younger (which he didn't do); or

2. moonlighting on a second part-time job; or

3. having his wife work even in spite of the obstacles to doing so; or

4. continued pressure for wage increases.

If a younger worker has no opportunity for advancement, the entire annual productivity-related rise in wages, about three percent, is needed just to keep up with his increasing family needs. If such a worker wants to improve his standard of living he must be able to move up the ladder. The pressure on wages promises to increase as those born in the post World War II baby boom move into their late twenties and early thirties, and thus assume family responsibilities in the next five years. Workers in the 25-34 age group will represent 25 percent of the labor force in this decade.

This problem is intensified by inflation. Since 1965 money wages have advanced 20 percent, but real earnings measured in true purchasing power remained almost static. These men are on a treadmill, chasing the illusion of higher living standards. Thus their only hope seems to be continued pressure for higher wages. Their only spokesmen seem to be union leaders spearheading the demand for more money wages. They are overripe for a political response to the pressing needs they feel so keenly.

The tax structure offers little relief to this worker since it gives only small recognition to family size considerations. Even the Tax Reform Act of 1969 does not provide adequate relief to these families:

* A married couple with an $8000 income who has two children will pay $263 less under the new law--which doesn't fully take effect until 1973--than under the old one. This fails to bridge the budget gap described above;

* Deductions for family members are token in character, even under the new tax law, and provide more at higher income levels than at lower or moderate levels (the $750 deduction is a tax savings of $125 for the person in the 16 to 17 percent bracket and $300 for the person in the 40 percent bracket). Moreover, the size of the tax deduction has no relation to the age of the children, even though budget costs for older children are more than for younger.

* There is no provision for tax relief as family education costs rise, either in terms of the $100 a year that it costs to send a child to school or the additional cost of going to college.

* Regressive State and local taxes also hit heavily at this group. Average State and local taxes are almost $700, and have increased rapidly in recent years. Moreover, in at least some states income is redistributed from lower-income to higher-income groups to subsidize higher education for the children of the latter.

Government policies on child care designed to enable the wife to work also give little relief. At present, families with income of $6900 or above cannot deduct child care expenses. This figure was set in the Internal Revenue Act of 1964 and is now unrealistically low. Adjusted to current prices the ceiling would be about $8200. Government child care centers under Headstart

and WIN are for the "poor," and so do not help this group. Their costs for child care (when not provided by other family members) may run from $25 to $40 a week. The Family Assistance Act of 1970 will aggravate this problem. Welfare mothers will receive subsidized child care to facilitate their move from welfare to work. Lower income mothers who seek work and are outside the welfare system will incur the full cost or be unable to add to family income.

Finally, high transportation costs, wage discrimination and lack of education and training also discourage many blue-collar wives from working or minimize their contribution to family income. Yet it is precisely working wives who make very meaningful contributions to the family income, and who have the potential to make even more: In the 40 percent of husband-wife families where wives do work, median income in 1968 was $10,700, compared to $8200 where they didn't. Part-time employment has almost doubled since 1956 and provides a new opportunity for more women to combine work with family responsibility.

The problem of restricted economic opportunity for the blue-collar worker also spreads into the next generation. The children of this group in our society are not "making it" to the same degree as are children in the middle and upper-middle classes.

Despite the broadening base of college enrollments, we still find marked evidence that the lower-income groups have a much smaller proportion of their children continuing beyond high school. Only one-fourth of the youth in college are from the half of the families with a below-median income. Worse yet, the great majority of high school dropouts are not from the disadvantaged ghetto population. Many white and black school dropouts are from this lower-middle-income group; in some of the urban areas the dropout rate for this group runs about 30 percent. Here we sense the stirrings of a new type of unfortunate cycle, as some of the children of these blue-collar workers are unable to achieve a reasonable entry into productive society. Twenty percent are unemployed in the fall following the year they drop out of school. Present efforts to reduce youth unemployment (e.g., Neighborhood Youth Corps) are geared to disadvantaged youth--not these people.

Other government aids--minimum wage, training, welfare payments--are not for this group because they have presumably "made it," and whatever the government may have done to keep employment and jobs up generally has faded or is overwhelmed.

Economic insecurity is compounded by the fact that blue-collar workers are often the first to feel the effects of an increase in unemployment, feel most threatened by automation, and are also more dependent on sheer physical health for their livelihood than white-collar workers. Yet there is inadequate protection for temporary or permanent disability under State workmen's compensation laws.

There are other dimensions to the problem too: the shortage and high cost of housing; the high cost of medical and legal services, the lack of inexpensive entertainment and recreation facilities (e.g., few summer camps for the worker's children).

All these factors add up to an economic squeeze and insecurity for the working man. We have no package of solutions to deal with this problem. However, in fashioning any attack, certain things should be recognized: (1) that government aid being given to the disadvantaged is sorely needed, and (2) that it would be impossible and undesirable to try to modify the American wage structure; and (3) that almost anything which could be done by the government would cost money.

II. The Social Squeeze

People working and living close to the margin of economic needs are under constant pressures. These pressures have an economic base but find other outlets, other frustrations of a social nature.

People in the blue-collar class are less mobile, less organized, and less capable of using legitimate means to either protect the status quo or secure changes in their favor. To a considerable extent, they feel like

"forgotten people"--those for whom the government and the society have limited, if any, direct concern and little visible action.

Some of the problems which "bug" the blue-collar class include:

* Fear of violent crimes. This is a growing fear of crime in the inner cities and this fear is spilling over to the outer ring of the metropolis--primarily areas where they live. Economic immobility blocks a flight from these conditions.

* Class status. Many of these workers are immigrants or sons of immigrants, they feel unsure about their place in the "mainstream" of American society. Some live in mixed neighborhoods--feeling the pressure of constant succession by lower status groups, especially minorities. As the minorities move up a bit, they squeeze these people. Minority inroads in housing, schools, and jobs create fears. They worry over merging of seniority lists, changing entrance requirements for jobs, and lower admissions standards for public schools.

* Feeling of being forgotten. These people are most exposed to the poor and the welfare recipients. Often their wages are only a notch or so above the liberal states' welfare payments. Yet they are excluded from social programs targeted at the disadvantaged--medical aid, housing, job training, headstart programs, legal aid, and the like. As taxpayers, they support these programs with no visible relief--no visible share.

* Educational level. Since most blue-collar workers have barely completed formal high school education, they have limited leverage to change occupations, and they have limited mobility to use their education as a lever to escape from their economic and social problems. Overt hostility between ethnic and racial groups is probably greater between less educated groups than between more educated groups. Thus,

the blue-collar worker is more prone to transfer his economic and social frustrations to racial and ethnic prejudices, and of late to overt hostilities.

* Low status of blue-collar work. The American working man has lost relative class status with the growth of higher education. Changes in the nature of the labor force have dramatized the professional and technical experts to the relative detriment of the skilled worker. Skilled workers also have hostility toward those below them at semi-skilled and unskilled levels and the feeling is mutual. But all blue-collar workers, skilled or not, have been denigrated so badly--so harshly--that their jobs have become a last resort, instead of decent, respected careers. Manual and skilled occupations have become almost invisible in terms of the propaganda of today. Fathers hesitate--and even apologize--for their occupations instead of holding it up as an aspiration for their sons. This attack has been so strong, so emotional and so unfounded that the workers have suffered a loss of self respect and the nation is suffering a loss of future manpower.

  Low status also derives from the working conditions and nature of much unskilled and semiskilled work. Much of it is oppressively tedious, noisy, and mind numbing, with little room for human contact. Research has found a significant relation between poor mental health and such types of work.

Let us examine the problem of the low status of blue-collar work further:

According to union leaders, the blue-collar worker increasingly feels that his work has no "status" in the eyes of society, the media, or even his own children. While the nation has, in recent years, sold the importance of science and technology to our younger people, it has neglected to communicate the importance of some ten million skilled blue-collar workers who are responsible for transforming the ideas of scientists and the plans of engineers into tangible

goods and services. These workers make and maintain the models, tools and machines without which industrial processes could not be carried out. They exercise considerable independent judgment and are responsible for extremely valuable equipment and products.

A good auto mechanic, for example, must know hydraulics, pneumatics, electricity, and some chemistry and other skills. Yet many youth learn that status accrues to the white-collar job (and so "prefer" it) even though a job in coveralls, such as mechanic, may pay better. The average mechanic working for a metropolitan auto dealer earns nearly $10,000, yet there is a short supply of them due to lack of interested youth. A recent survey showed that only one out of four male high school seniors wished to work as blue-collar workers, even though almost half of all jobs in the economy are blue-collar jobs.

Schools tend to reinforce this tendency, since most teachers know little about blue-collar work. So do the media; the only publicity given to workers is when they are out on strike and there they are often shown in a bad light.

Adding to the problem is that fact that the long-term narrowing of manual skill wage differentials (temporarily halted) has relatively worsened the position of semi- and skilled blue-collar workers compared to the unskilled. At the same time, high-skilled white-collar workers have been making substantial and publicized improvements in their economic position, with salary increases often far higher than wage increases. Furthermore, the educated workers with college and advanced degrees have been getting the biggest pay gains.

The result is chronic and inflationary shortages in many skilled blue-collar fields; a feeling of "failure" for the many youth who won't get white-collar jobs; exacerbation of racial friction when black youth refuse to take "dirty" blue-collar jobs offered them "by a white society," even when they may be good-paying; and a general resentment by blue-collar workers which is translated into wage demands.

Resentment is likely to worsen with any increase in unemployment, together with a continued push for opportunities for the disadvantaged, plus the addition of returning veterans to the labor force.

III. Possible Directions for Action

Our attention has been focused on an analysis of the economic and social situation faced by the blue-collar worker and not on private or public steps that might be taken to relieve the pressures he faces. Still, the analysis itself identifies several specific areas of concern:

* Upgrading. What can be done to assist the worker in moving out of a dead-end job?

* Income. Upgrading will provide more income, but this may need to be augmented by a job for the wife, and perhaps in other ways.

* Expenses. The workingman's budget squeeze can be relieved through subsidized housing, transportation, recreation, and education and various kinds of tax relief.

* Social Issues. Such things as low status of blue-collar work, poor urban environment, and inadequate medical facilities contribute to a feeling of neglect and should be addressed.

Again, though we have not developed a specific action program, some ideas appear worthy of consideration by the Nixon Administration to reach out and come to grips with many of the basic needs:

1. Job Upgrading

The JOBS program is placing a new emphasis on upgrading for both disadvantaged and others but even more manpower services could be provided the blue-collar worker. Much authority exists but imaginative proposals are needed for such things as instruction in plants, community college courses designed to meet specific

skill shortages, worker leave of absences, and loans for non-instruction expenses. The Employment Service could do more to help the blue-collar worker get ahead--through such steps as counseling and upgrading, soliciting jobs for experienced workers and opening its offices nights and Saturdays to serve the employed as well as the unemployed.

2. Child Care

The Nixon Family Assistance Plan will provide child care facilities for welfare mothers who go to work. Child care facilities might next be provided to slightly higher income groups on a partial fee basis. This would enable many more mothers to work and relieve the costs of child care for those who already work. Steady expansion of part-time employment opportunities can open new avenues for wives to work without neglecting their family role. Tax relief for child care is now limited to families earning less than $6,900 and this could be raised to $10,000 with deductions increased to $900 for the first child and $1,200 for two or more children. This change can be made with little revenue loss. The public pressure for action in this area is expected to mount.

3. Education for Adults

The Vocational Education Act of 1968 is already financing evening courses for about three million adults. However, this meets only a fraction of the need. Moreover, above and beyond vocational education, there is a need to allow workers to study for high school diplomas and for two-year community college degrees. For many blue-collar workers and their wives, the result should be new or better jobs and promotions. Increased education also frequently leads to less racial hostility.

4. Higher Education for the Worker's Children

The right to higher education implicit in the President's Higher Education Message for college loans and grants where families are earning less than $10,000 is a significant promise to the blue-collar workers. The President also proposed a $100 million program for training in critical occupations in community colleges. This should be the first step in a steady thrust toward increased Federal support of these colleges which are of such importance to the blue-collar worker's children. These opportunities should be targeted to these people.

5. Tax Policy

The Tax Reform Act will give a tax reduction to families earning $5,000 to $10,000. However, this does not go very far in alleviating the squeeze on this group. Revenue sharing should be emphasized since it will tend to help them by raising taxes through the progressive Federal tax system rather than through the regressive local and State systems. In addition, a review should be made of possible further ways to relieve the tax burden on this group, including possibly increasing the amount of the tax exemption for older children, since budget costs for them are greater.

6. Higher Status for Blue-Collar Work

Efforts should be made to enhance the status of blue-collar work. Public relations work would help, as would more effective guidance and placement in blue-collar jobs by secondary schools (including more visits by workers to the schools). Other possibilities are National awards for outstanding craftsmen; portrayal of various skilled trades on postage stamps; a series of vocational guidance films for youth, on skilled trades; programs for school teachers to visit plants and offices; training for foremen and supervisors; Federal standards for decent working conditions and/or establishing a Job Environment Subcommittee of the Environmental Quality Council, to investigate oppressive noise, heat, air pollution, and the like.

7. Recreation Facilities

Recreation and vacations, a major problem for the blue-collar worker and his family, might be made more available through vest-pocket parks, more development of public lands near metropolitan areas, and mortgage guarantees for low-income recreation facilities.

8. Transportation

Automobile expenses are a major expense item to the blue-collar worker. Moderate budget costs for the U.S. automobile owner are more than $900 yearly for replacement, insurance, and maintenance. More mass transit is part of the answer. If "no-blame" auto insurance would reduce costs as much as has been claimed, it might also be helpful.

9. Housing

Action has been taken to pump more mortgage money into the housing market which should increase the houses available to low-income workers and reduce their cost. The most significant potential for reducing housing costs is probably in Operation Breakthrough and other efforts to increase productivity in construction. HUD and the Domestic Council are obvious focal points for policy direction.

10. Disability Protection

On the job and off the job accidents are still a major hazard for the working population. New attempts should be made to develop modern temporary disability insurance and workmen's compensation systems.

11. The Federal Government as a Model Employer of Blue-Collar Workers

The Federal Government should continue its policy of wages comparable with private employment. But it could go beyond this on non-wage matters. It could become a model employer by careful attention to such things as upgrading possibilities, subsidized child care, part-time employment for women, and partially subsidized recreation and vacation facilities for low-income Federal workers.

The White House working group under your chairmanship could develop feasible ways by which to meet the needs of blue-collar workers in some or all of these areas.

Jerome M. Rosow

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